Regulations

A quick-start guide to

California's SB 253 and SB 261

arbor

Overview

Context

🇺🇸 California's economy passed Japan to become the fourth largest in the world in 2024. From the 1970s Clean Air Act to now, California has always been a first mover for climate adoption legislature.

What is SB 253 and SB 261?

California has enacted two new laws that require businesses to disclose carbon emissions and climate-related financial risks, Regulated by the California Air Resources Board (CARB). **SB 261 enforcement is temporarily paused** by a court injunction. A voluntary reporting docket is open from Dec 1, 2025 – July 1, 2026. CARB has proposed a **June 30, 2026, deadline** for the first SB 253 (Scope 1 and 2) reports, leaving companies with a significant compliance challenge

Who's required to disclose?

The Climate Corporate Data Accountability Act (SB 253) and Climate-Related Financial Risk Act (SB 261) requires large businesses "doing business in California" to publicly report their greenhouse gas emissions and disclose the threats they face as a result of climate change.

What if you don't comply?

Non-compliance means facing civil penalties up to US$500k/yr, contract risk, brand damage & much more.

SB 253 and SB 261

Update Summary

From Clearyst x Arbor's live session on
California's SB 253 and SB 261 Updates

Major Legal Update

- **SB 261 (Financial Risk)**: Enforcement temporarily halted by 9th Circuit Court injunction (issued Nov 18, 2025).
- **SB 253 (Emissions)**: Unaffected by the ruling. Implementation proceeds as planned.

Regulatory Timeline

- **Final Regulation Package expected**: Q1 2026.
- **Fees**: Flat annual fees proposed (~$3,106 for SB 253 / ~$1,403 for SB 261). Invoices sent Sept 10, 2026.

Key Definitions

- **Revenue**: Calculated based on the lesser of the prior two fiscal years (matches "Gross Receipts").
- **"Doing Business"**: Proposed to exclude property/payroll thresholds; focuses on sales/economic engagement.

SB 253

Specific Updates

From Clearyst x Arbor's live session on
California's SB 253 and SB 261 Updates

Major Legal Update

- Scope 1 and 2 Reporting Date: August 10, 2026 (Previously targeted June 30).
- Note: Scope 3 reporting remains 2027.

Data Year

- If FY ends Jan 1–Feb 1, 2026 → Report FY2026 data.
- If FY ends Feb 2–Dec 31, 2026 → Report FY2025 data.

Enforcement & Assurance

- 2026: "Good Faith" enforcement discretion. No penalties for good faith efforts.
- Assurance: Limited assurance starts 2027. Reasonable assurance starts 2030.

Specific Updates

From Clearyst x Arbor's live session on [California's SB 253 and SB 261 Updates]

Legal Status Injunction

- Implementation temporarily paused pending appeal outcomes (Oral arguments Jan 2026).
- Statutory Deadline is still Jan 1, 2026, but CARB cannot enforce it currently.

Reporting Requirements (Once Enforced)

- Public Docket opens: Dec 1, 2025 (remains open until July 1, 2026).
- Minimums: Initial report does not require Scope 1, 2, 3 emissions data or Scenario Analysis.
- Frameworks: Must align with TCFD or IFRS S2.

*Defined as having California sales exceeding ~$735,000 or being domiciled in the state. (Property and Payroll thresholds proposed to be omitted).

SB 253 and SB 261 Comparison

	SB 253 Climate Corporate Data Accountability Act	SB 261 Climate-Related Financial Risk Act
Applies To	Organizations with $1b+ revenue operating in California*	Organizations with $500m+ revenue operating in California*
Reporting Frequency	Annually	Every two years
Reporting Standard	GHG Protocol Corporate Standard	Task Force on Climate-Related Financial Disclosures (TCFD)
Third-Party Verification?	Required for emissions data	Not required, but organizations must follow disclosure frameworks
Regulator	California Air Resources Board	California Air Resources Board
Penalties	Up to **$500,000 USD per year**	Up to **$50,000 USD per year**
Proposed Annual Fee	Est. $3,106 (flat fee)	Est. $1,403 (flat fee)

What's the purpose of these laws?

Radical transparency

These regulations force a common accounting language for carbon measurement. SB 253 mandates assurance starting in 2027. For the 2026 filing, CARB will exercise enforcement discretion, allowing unassured 'good faith' data.

Pricing systemic risk

SB 261 compels companies to publish **scenario-based financial risk analyses** so investors can differentiate, for example, a wildfire-exposed logistics fleet from a resilient one (and price capital accordingly).

Catalyzing action, not just disclosure

These bills turn climate reporting from a CSR box-tick into a CFO-level **compliance obligation**, sparking investment in decarbonization of operations.

Where will this all lead to?

Data required for these regulations will be used to set **climate targets**, **engage suppliers**, **identify decarbonization pathways**, and **forecast emissions**, especially avoidance in emissions from baseline years.

It is also expected that there will be an increase to materiality thresholds in auditability and assurance requirements.

Common challenges

Companies must quickly provide an auditable multi-standard climate-reporting program while avoiding six-figure consultant bills and knowledge bottlenecks.

Strategy

Implementing a robust climate management program

This is now a **yearly requirement**. Companies need to set a long term plan for carbon measurements and climate risk. This includes:

- A tool that can **collect data and conduct measurements**
- A reputable auditing body to **provide assurances**
- **Expert guidance** on climate disclosures

Expertise

Sustainability knowledge gaps

Companies often **don't have dedicated teams to collect and measure** carbon emissions. Businesses must empower their existing teams to learn, adapt, and fulfill SB 253 and SB 261 requirements with easy to access business data and existing command structures.

Deadline

The clock is already ticking

Uncertainty is the new challenge. While SB 261 is paused, voluntary reporting is encouraged to build investor trust and prepare for potential reinstatement. CARB will open a public docket on December 1, 2025 (open until July 1, 2026) for companies to post public links to their reports. This requires scenario modelling, financial impact quantification and board sign-off.

SB 253

SB 253 Requirements

SB 253, also known as the Climate Corporate Data Accountability Act, is a law requiring large companies doing business in the state to publicly disclose their Scope 1,2 and 3 greenhouse gas (GHG) emissions. This disclosure must follow the Greenhouse Gas Protocol and be verified by an independent third party.

2026

August 10, 2026 (Proposed)

Scope 1 Disclosure

Direct GHG emissions from owned or controlled sources.

✓ Serviced by Arbor

2026

Scope 2 Disclosure

Indirect emissions from purchased electricity, steam, heat, or cooling.

✓ Serviced by Arbor

2026

Third Party Audit/Assurance

Independent assurance engagement by an approved verifier. Assurance optional for 2026; Limited assurance required starting 2027.

✓ Facilitated by Arbor

2027

Scope 3 Disclosure

All other value-chain emissions (15 categories); material categories must be quantified and explained.

✓ Serviced by Arbor

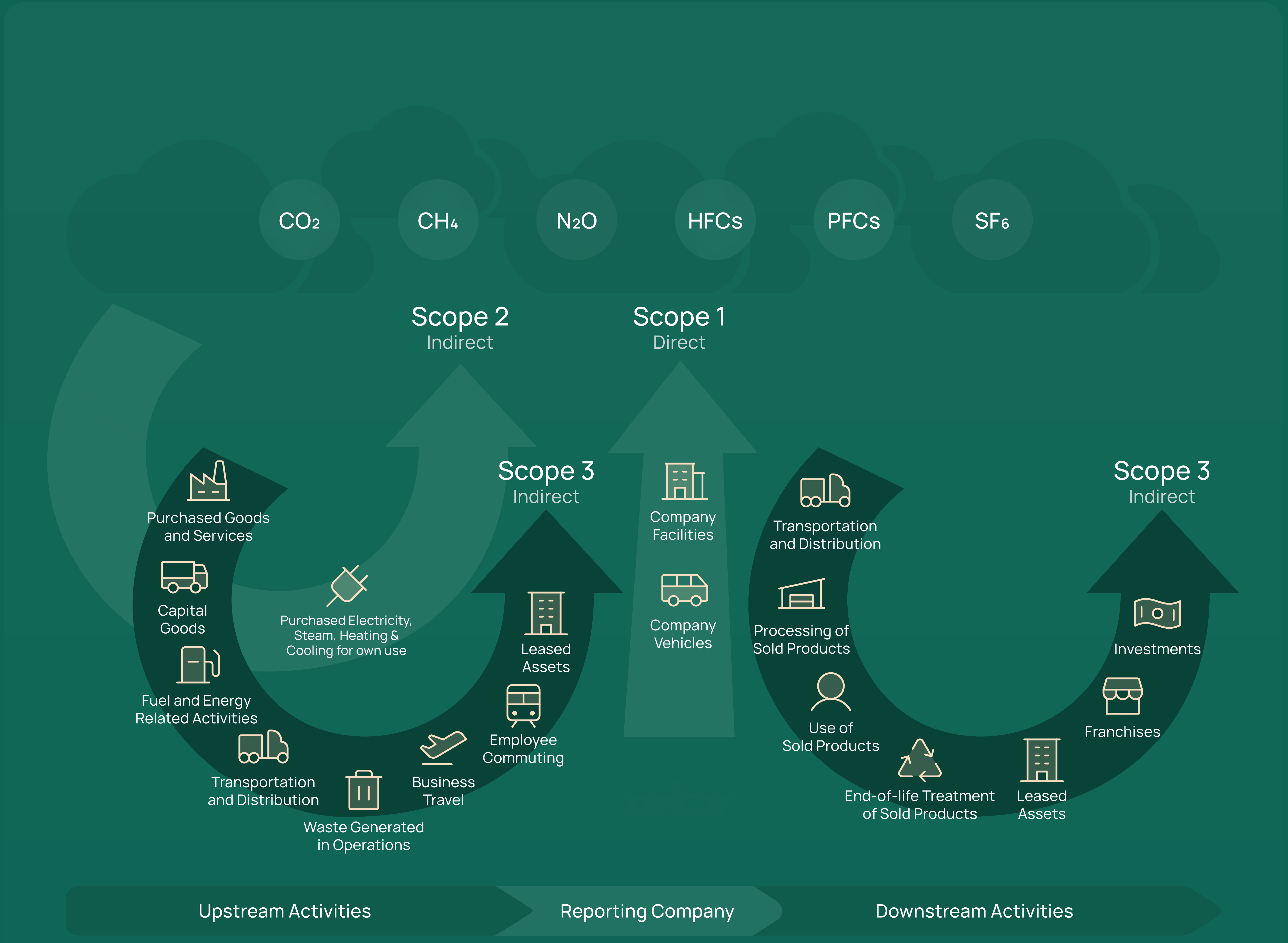
SB 253 and GHG Protocol

GREENHOUSE GAS PROTOCOL

The GHG Protocol Corporate Standard provides requirements and guidance for companies and other organizations preparing a corporate-level GHG emissions inventory. The GHG Protocol standardizes GHG reporting and help organizations identify areas with the highest emissions.

The GHG Protocol defines scope 1, scope 2 and scope 3 to categorize all business activities that generate GHG emissions. A high level guide:

1 Establish inventory scope and boundaries
2 Identify all Scope 1, 2, and 3 emission sources
3 Collect activity data from your supply chain
4 Calculate emissions
5 Assurance preparation
6 Aggregate and report



For more information on calculating your Scope 1, 2, and 3, visit this resource.

How to disclose for SB 253 in 6 steps

1

Establish inventory scope and boundaries

- Determine the legal entities, facilities, and operations to include in your SB 253 reporting.
- Align boundaries with the GHG Protocol's control or equity share approach.
- Set the reporting year and ensure it aligns with your financial reporting cycle.

2

Identify all Scope 1, 2, and 3 emission sources

- Scope 1: Direct fuel use, company vehicles, onsite generation.
- Scope 2: Purchased electricity, heat, steam, and cooling.
- Scope 3: Purchased goods, business travel, waste, upstream/downstream transport, and more.
- Use spend-based, hybrid, or supplier-specific data approaches to fill data gaps.

3

Collect activity data from your supply chain

- Engage suppliers early to explain SB 253 requirements and timelines.
- Use standardized templates or data portals to streamline collection.
- Validate incoming data for completeness and accuracy; document assumptions.

4 Calculate emissions

5 Prepare for assurance

6 Aggregate and report

How to disclose for SB 253 in 6 steps

1 Establish inventory scope and boundaries

2 Identify all Scope 1, 2, and 3 emission sources

3 Collect activity data from your supply chain

4

Calculate emissions

- Apply the correct emission factors for each activity type and region.
- Follow the GHG Protocol calculation hierarchy: supplier-specific › hybrid › spend-based.
- Document methods, sources, and any estimation approaches to support assurance.

5

Prepare for assurance

- Identify an independent, accredited third party for limited assurance (required under SB 253).
- Organize evidence packages for all data points and calculations.
- Address any auditor questions and close gaps before submission.

6

Aggregate and report

- Consolidate all scopes into a single emissions inventory.
- Prepare the SB 253-compliant report in the required format.
- Submit by the California Air Resources Board deadline (proposed as June 30, 2026, for the first Scope 1 & 2 report) and maintain records for future cycles.

SB 261 Requirements

California Senate Bill 261 (SB 261), known as the Climate-Related Financial Risk Act, requires businesses operating in California to disclose their climate-related financial risks. These reports must align with the recommendations of the Task Force on Climate-Related Financial Disclosures (TCFD). Mandatory enforcement paused pending appeal. Voluntary submission period: Dec 1, 2025 – July 1, 2026.

Arbor's partners

Open to working with consultant of clients choice.

EY MANIFEST CLIMATE DELPHI

2026

Governance

Description of Board and management oversight of climate risks: roles, committees, reporting cadence, and how oversight integrates with corporate governance.

✓ Facilitated by Arbor

Strategy

Discussion of material climate-related risks and opportunities, their strategic and financial impacts, and scenario analysis (e.g., 1.5°C/2°C pathways).

✓ Facilitated by Arbor

Risk Management

Explanation of the processes used to identify, assess, and manage climate risks, and how those processes are embedded in enterprise risk management.

✓ Facilitated by Arbor

Metrics & Targets

Disclosure of key metrics and quantitative climate targets.

Note: For the initial 2026 report, CARB has clarified that Scope 1, 2, and 3 emissions are not a minimum requirement

✓ Facilitated by Arbor

Getting started with SB 261

The California's Air Resources Board (CARB) SB 261 requirements follow guidelines from the Task Force on Climate-Related Financial Disclosure (TCFD). The TCFD framework is used by companies and financial institutions around the world as a tool for assessing and reporting on their climate-related financial risks and opportunities.

TCFD's recommendations include disclosure on 4 key pillars related to climate change. Data and information to collect as a starting point for the 4 key pillars:

Governance

- Frequency of Board reviews of climate risks (# per year)
- Executive with climate KPI's (Yes/No)

Strategy

- Top physical climate risks (descriptive list)
- Revenue from low-carbon products (C$)
- Incentives to drive low carbon manufacturing

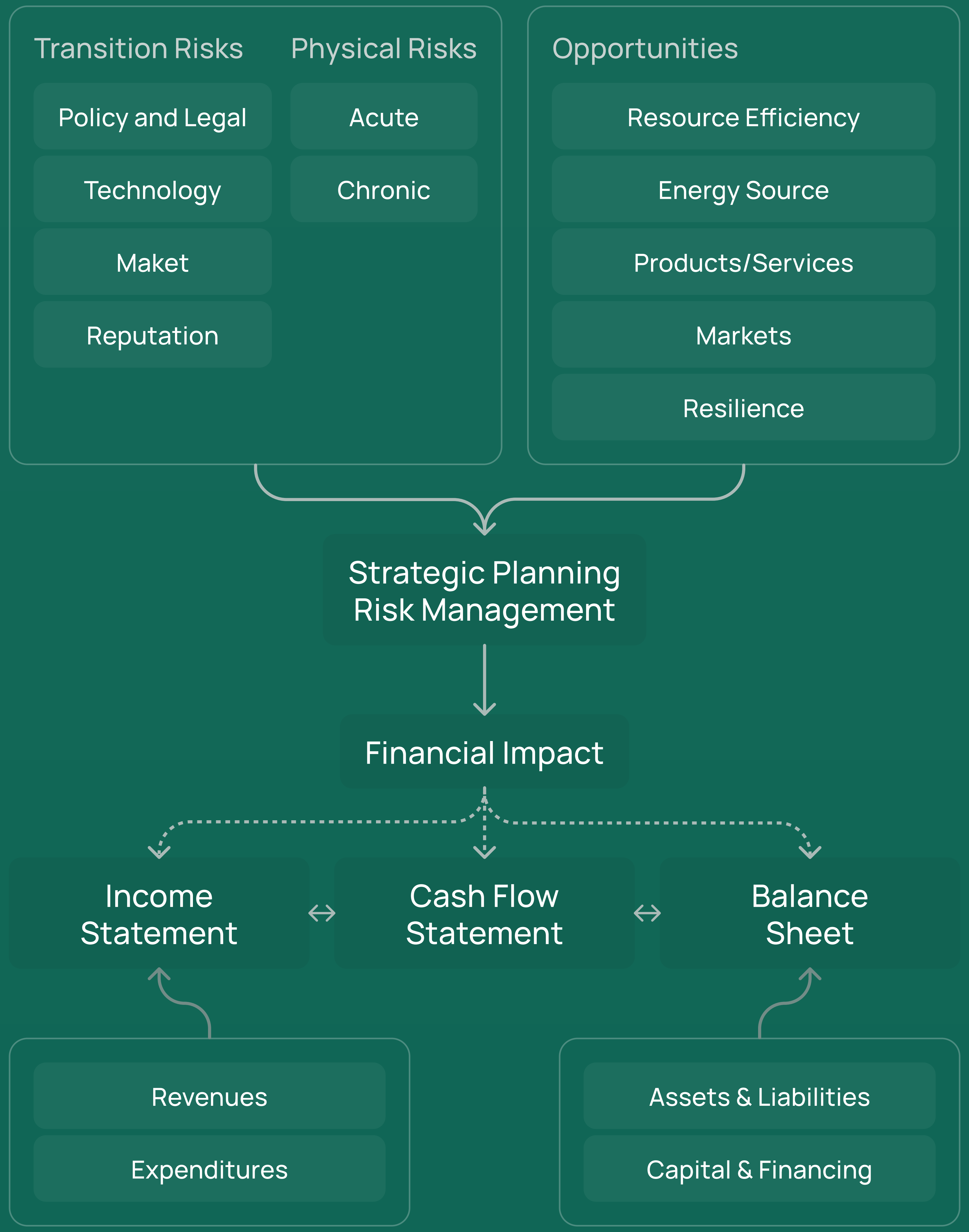
Risk Management

- Share of sites in flood-risk zones (% of total)
- CapEx allocated to climate-adaptation projects (C$)

Metrics & Targets

✓ Completed with SB 253

- Scope 1 GHG emissions (tCO_2e) ✓
- Scope 2 GHG emissions (tCO_2e) ✓
- Scope 3 Category 1 (purchased goods & services) emissions (tCO_2e) ✓
- Water withdrawal (m^3)



- For more information on SB 261 compliance aligned with TCFD, visit this resource.
- Note: CARB has clarified that for the initial 2026 SB 261 report, reporting on Scope 1, 2, and 3 emissions (items 226-229) is not a minimum requirement.

How to disclose for SB 261 (TCFD) in 6 steps

1

Stakeholder discovery & data collection

- Understand your business's current sustainability and climate disclosure efforts.
- Collect data on existing enterprise risk processes and internal reporting structures.
- Interview internal teams like finance, risk, and sustainability to gather insights.

2

Current state assessment

- Analyze all the data and interview findings from the discovery phase.
- Prepare a "Current State Assessment" memo that summarizes your company's approach to climate risk.
- This document ensures internal alignment and informs the next steps of the process.

3

Gap analysis & materiality assessment

- Evaluate your company's current practices against the specific expectations of SB 261.
- Categorize findings to identify where your processes meet, partially meet, or do not meet the standards.
- Assess the significance and potential risk of each identified gap.

4 Develop a prioritized compliance roadmap

5 Disclosure outline & governance alignment

6 Draft, review & finalize disclosure

How to disclose for SB 261 (TCFD) in 6 steps

1 Stakeholder discovery & data collection

2 Current state assessment

3 Gap analysis & materiality assessment

4

Develop a prioritized compliance roadmap

- Create a clear and actionable set of recommendations based on the gap analysis.
- Develop a long-term strategy and a prioritized roadmap for meeting the January 1, 2026, disclosure deadline.
- Tailor the roadmap to your company's structure, resources, and timeline.

5

Disclosure outline & governance alignment

- Prepare a detailed skeleton outline for the final climate disclosure report.
- Create a suggested governance structure for managing the reporting process.
- Present the outline to the board for review to align on style, structure, and content.

6

Draft, review & finalize disclosure

- Develop a full draft of the climate report based on the approved outline.
- Incorporate feedback from third-party reviews and internal stakeholders at key milestones.
- Conduct a final consistency and plain-language review to ensure the report is ready for submission.

Solution

Arbor's unique approach

Data agility

Eliminate barriers to measurement by making it easy to start at any data readiness level.

- Connect to your ERP or other data storage solutions.
- Little-to-no reliance on suppliers throughout the value chain for GHG data
- Little-to-no reliance on suppliers throughout the value chain for GHG data

Cost effective compliance

Arbor's automated software enables fast reliable carbon measurements that reduce human error and streamline compliance efforts.

- Trusted Assurance partner network for audits in record-breaking speeds
- Eliminating duplication of efforts for yearly reporting

Expert guidance

Regardless of your experience with emissions measurement, Arbor's experts will support you through the measurement, audit, and disclosure process.

- Expertise in industry-standard methodologies such as:

GREENHOUSE GAS PROTOCOL

ISO Compliant with 14040 14044 14064 14067

Solution

Why Arbor

Regulatory trust

Expertise in methodologies **required for SB253/SB261 disclosure**. Continuous updates as scrutiny tightens so you stay safe while peers play catch-up.

Connect carbon metrics to profit

Link SB 253 and SB261 **data to business KPIs**. Show how decarbonization protects EBITDA under rising carbon prices.

Competitive cost

No more six-figure consultant cycles, **cut compliance costs** by 60%.

Partner network

Leverage **Arbor's partner network** to:

- Facilitate audits in record-breaking speeds
- Create disclosure ready reports by yourself, or with the help of experts
- Implement governance and management structures for ongoing reporting

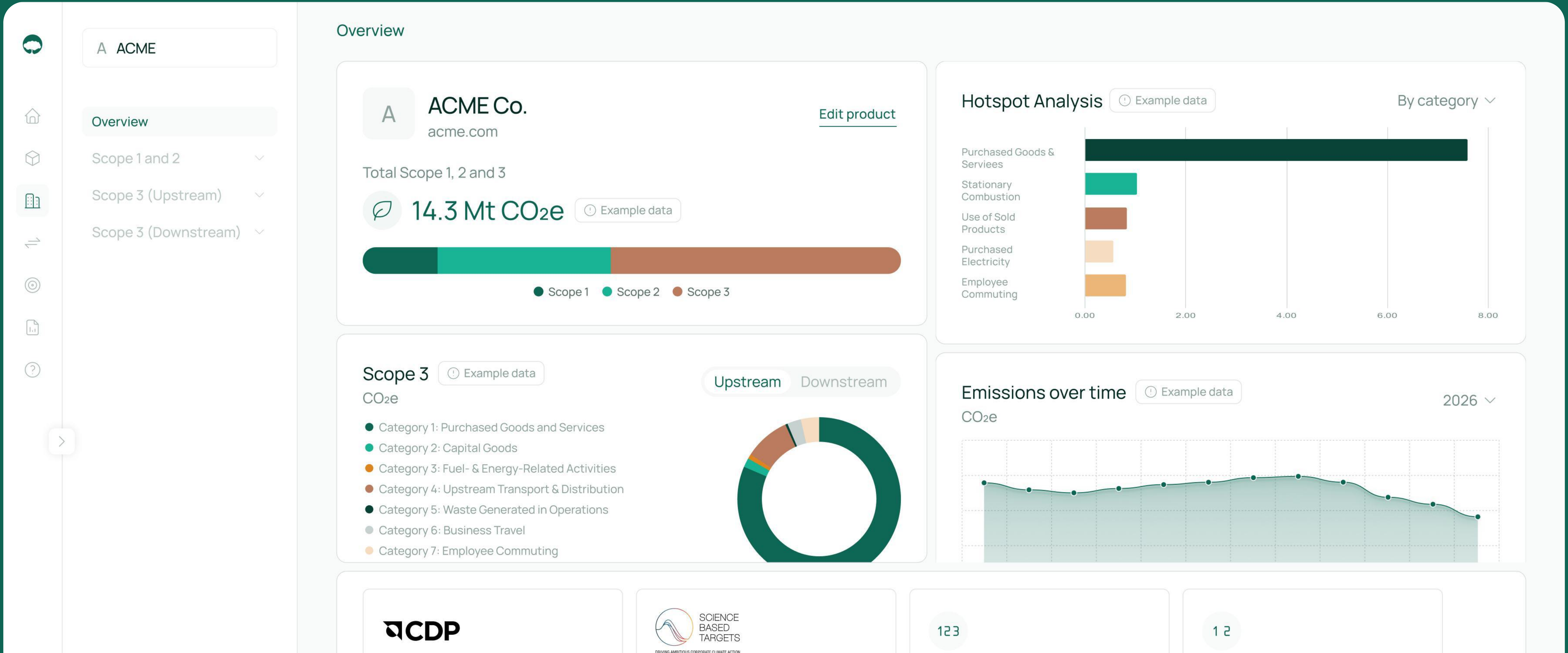
Trusted by climate-forward companies

SCOTT CANADA GOOSE JCB CROCS inc.

Scope 1, 2, and 3

Arbor eliminates manual bottlenecks in GHG tracking by **automating Scope 1, 2, and 3 measurement**. From streamlining complex data collection to surfacing year-over-year insights, we equip teams to report faster, with greater accuracy and less friction.

- Enables SB 253 & 263 Compliance
- Built-in GHG Protocol alignment
- Actionable Emissions Analytics
- Easy Audit Facilitation



Questions

Frequently Asked Questions (FAQs)

*For more information, book a free consultation here.

What does "good-faith effort" mean for compliance?

CARB confirmed enforcement discretion for the 2026 cycle. Penalties will likely be waived for companies making sincere, timely efforts, even if data is unassured or uses best-available estimates while systems are built.

If most of a company's business is outside California but it exceeds the revenue threshold, must it comply?

Yes. The revenue threshold ($1B+ for SB 253 / $500M+ for SB 261) applies to total global revenue, not just California revenue.

What is CARB's working definition of "doing business in California" and "revenue"?

- **Revenue**: Proposed to match the Franchise Tax Board definition of Gross Receipts (based on the lesser of the prior two years).
- **Doing Business**: Proposed to follow Tax Code § 23101 (Economic Nexus/Sales >$735k), but excludes property and payroll thresholds to avoid capturing remote-only workforces.

When is the first third-party assurance required?

- 2026 (First Report): Unassured data is acceptable under enforcement discretion.
- 2027: Limited Assurance required for Scope 1 & 2.
- 2030: Reasonable Assurance required for Scope 1 & 2.

If a company already reports GHGs elsewhere, how much more will California require?

CARB says it will align and streamline with existing programs where possible to minimize extra work, and is seeking public feedback on how best to do so.

What will CARB do with the data companies file?

The agency's goal is to make accurate, comparable, decision-useful climate information available to investors, consumers, and other stakeholders, while creating a model other jurisdictions can follow.

What are the proposed fees for this program?

Confirmed flat fee structure: ~$3,106 for SB 253 and ~$1,403 for SB 261. Invoices are expected to be sent September 10, 2026.

Deadlines are approaching

Ready to disclose?

Talk to a carbon expert from Arbor about any questions, reporting requirements and more.

Request a free consultation

Or learn more about each regulation:

SB 253

SB 261